Heavy Minerals Limited

And Controlled Entities

ABN: 26 647 831 883

HALF YEAR REPORT

For the Period Ended 31 December 2021

CONTENTS

DIRECTORS

Adam Schofield	Non-Executive Chairman
Maurice (Nic) Matich	Executive Director & CEO
Greg Jones	Non-Executive Director
Glenn Simpson	Non-Executive Director

SECRETARY
Stephen Brockhurst

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AUDITORS
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STOCK EXCHANGE LISTING
Australian Securities Exchange
ASX Code: HVY

Your Directors submit the financial report of the Consolidated Entity for the period ended 31 December 2021.

DIRECTORS

The names of Directors who held office during or since the end of the period:

Name	Title
Adam Schofield	Non-Independent Non-Executive Chairman
Maurice (Nic) Matich	Executive Director & CEO
Greg Jones	Independent Non-Executive Director
Glenn Simpson	Non-Independent Non-Executive Director

COMPANY SECRETARY

Name	Title
Stephen Brockhurst	Company Secretary

PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity is exploration for industrial garnet in Australia and exploration for mineral sands in Mozambique.

REVIEW OF RESULTS

The loss after tax for the period ended 31 December 2021 was $607,448 (2020: $152,459 loss).

The earnings of the Consolidated Entity for the past 3 periods are summarised below (note that these figures are those of Mozmin Resources Pty Ltd as the accounting parent prior to 30 June 2021):

	31 December 2021 $	30 June 2021 $	31 December 2020 $
Revenue	1,840	-	-
EBITDA	(607,118)	(2,393,231)	(110,919)
EBIT	(607,448)	(2,393,324)	(110,919)
Loss after income tax	(607,448)	(2,410,468)	(152,459)

DIVIDENDS
No dividends were paid or declared during the period ended 31 December 2021 (2020: Nil).

Company Focus and Mission

Heavy Minerals Limited (ASX:HVY) is an Australian listed industrial mineral exploration company. Our projects are prospective for industrial minerals including but not limited to Garnet, Zircon, Rutile and Ilmenite. Our primary focus is the Port Gregory Garnet Project which has an Exploration Target of between 3.5Mt and 4.5Mt contained Garnet. Heavy Minerals Limited other project is the Inhambane Heavy Mineral Sands Project in Mozambique which contains a JORC Compliant Inferred Mineral Resource of 90 million tonnes @ 3.0% Total Heavy Mineral.

The Company is committed to increasing Shareholder wealth through the exploration and development of our mineral resource projects in Western Australia and Mozambique. HVY is also looking to acquire other projects in the Industrial Minerals space that are value additive and are complimentary to our existing projects and focus.

During the year the focus of the Company was to work towards defining a resource at its Port Gregory Garnet Project located in the mining friendly jurisdiction of Western Australia. In parallel with the work conducted on the Company's Australian Port Gregory Project, HVY has also increased the tenure under mining licence application in Mozambique which has resulted in an increase for the Inferred Mineral Resource to 90 MT @ 3.0% THM, a 59% increase in contained total heavy mineral.

No exploration activities were undertaken in Mozambique due to COVID 19 and its impacts on travel and border restrictions.

PROJECTS

Port Gregory Project [Australia]

The Port Gregory Garnet Project consists of 6 tenements totalling 227.28 km2 located approximately 50 km North of Geraldton. The Port Gregory Project is the primary focus of the Company and is prospective for industrial minerals, in particular garnet, as shown by previous exploration activities carried out on the northern tenements (E70/5160 and E70/5314). The Port Gregory Project contains a defined Exploration Target of between 3.5Mt and 4.5 Mt In-Situ Garnet (with grade of between 3.5% and 4.5% heavy minerals).

Table 1: E70/5160 Tenement - Exploration Target

Summary of Exploration Target(1)							HM Assemblage(2)		
Classification	Material (Mt)	In Situ HM (Mt)	In Situ Garnet (Mt)	HM (%)	SL (%)	OS (%)	Garnet (%)	Ilmenite (%)	Non Valuable HM (%)
Exploration Target	170 - 250	7 - 9	3.5 - 4.5	3.5 - 4.5	10	20	46	1	53
Grand Total	**170 - 250**	**7 - 9**	**3.5 - 4.5**	**3.5 - 4.5**	**10**	**20**	**46**	**1**	**53**

Notes:

(1) Exploration Target reported at an upper cut-off-grade of 2.5% HM and a lower cut-off grade of 1.5%.

(2) Mineral assemblage is reported as a percentage of in situ HM content.

The Port Gregory Project consists of the following tenure:

Licence No.	Area (Blocks)	Status	Grant date	Expiry date
E66/102	22	Current	31/10/2018	30/10/2023
E70/5130	25	Current	19/11/2018	18/11/2023
E70/5160	6	Current	08/01/2019	07/01/2024
E70/5161	15	Current	09/05/2019	08/05/2024
E70/5314	3	Current	02/12/2020	02/12/2025
E70/5394	15	Granted	14/12/2021	13/12/2026

During the half year ending 31 December 2021 the company undertook the following exploration and evaluation activities on the project:

- Completed 100 holes for 3,094 m of drilling at Port Gregory Garnet Project (E70/5160)
- Completed Seismic Survey at Port Gregory Project underlying 3.5-4.5 Mt Exploration Target (E70/5160)
- Additional 45.52 km2 of tenure bordering GMA's mining lease and HVY's tenure secured (E70/5934). HVY is now the largest tenement holder in the Port Gregory Region targeting Garnet mineralisation
- Collation of Historical exploration results from WAMEX
- Multiple Field trips to meet land owners, scout greenfield targets
- Desktop Geological studies to plan exploration program

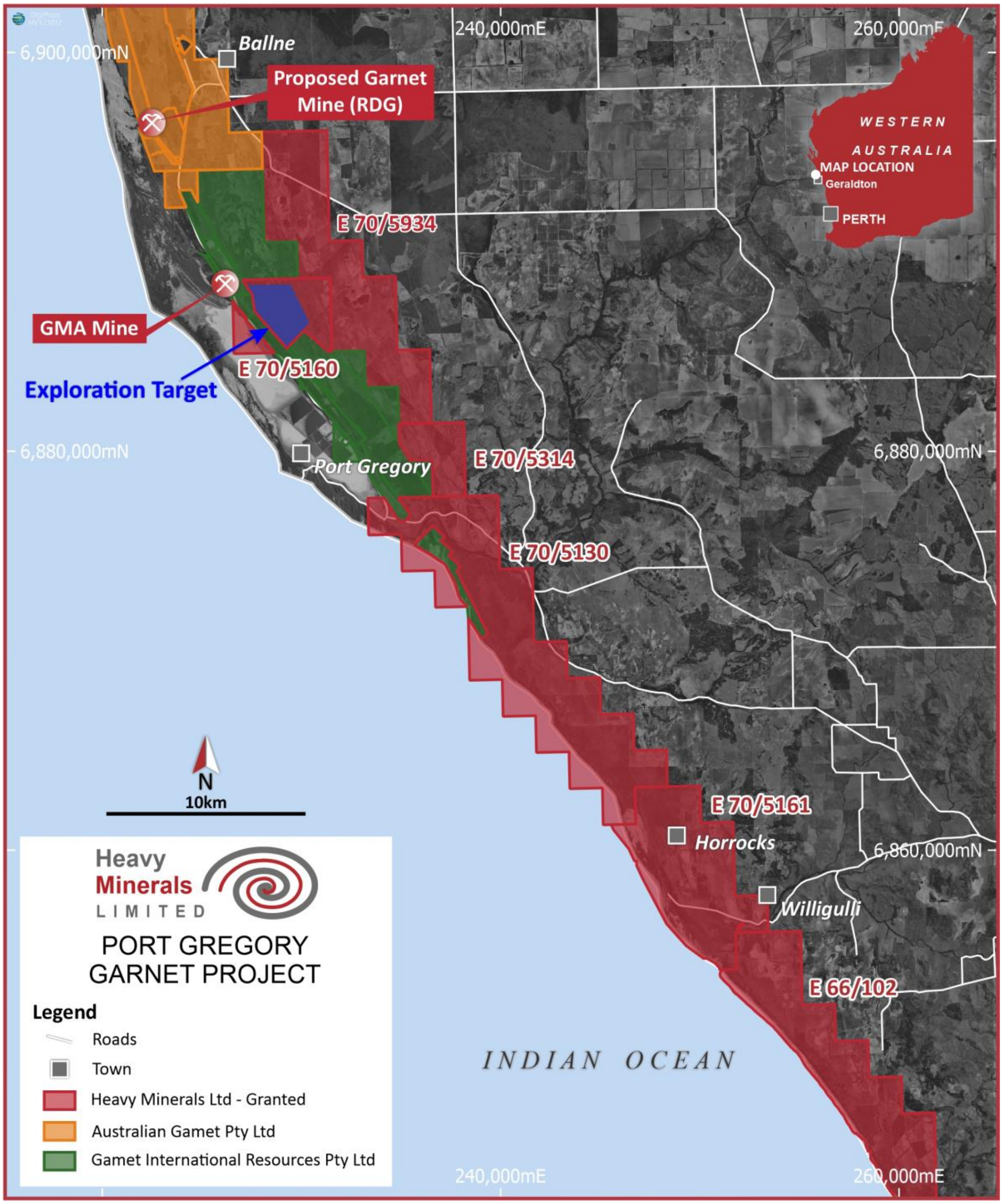

Figure 1: Port Gregory Project Tenure as at 31/12/2021

Inhambane Project [Mozambique]

The Inhambane Heavy Mineral Sands Project in Mozambique consists of a mining concession application (which was lodged on 11 March 2020). The Inhambane Project has a JORC Compliant Inferred Mineral Resource of 90 million tonnes @ 3.0% Total Heavy Mineral. The Company has a 70% direct interest in the Inhambane Project (via its wholly owned subsidiary, Mozmin Resources (Mauritius) Limited) with the remaining 30% owned by Galilei LTDA (which will be free carried until a decision to mine is made by the Company). While the exploration licence preceding the mining concession application has expired, the grant of the Mining Concession supersedes this and is currently pending.

Access to the project has been impacted by COVID and all on ground activities have paused until access to the project is reliable and safe. Desktop studies and metallurgical characterisation work is currently being undertaken to add value to the project while site access is delayed.

During the half year ending 31 December 2021 the company undertook the following exploration and evaluation activities on the project:

- Increased area under mining licence application in Mozambique to 213.88 km2
- JORC Mineral Resource at Inhambane Heavy Mineral Sands Project increased to 90 Mt @ 3.0% THM

Table 2: Inhambane Mineral Resource Summary

MINERAL RESOURCE SUMMARY FOR INHAMBANE PROJECT AS AT DECEMBER 2021

Summary of Mineral Resources[1]						HM Assemblage[2]					
Mineral Resource Category	Material (Mt)	In Situ THM (Mt)	THM (%)	SL (%)	OS (%)	Altered Ilmenite (%)	Primary Ilmenite (%)	Rutile (%)	Leucoxene (HiTi) (%)	Zircon (%)	Others (%)
Inferred	90	2.7	3.0	5	0	29	31	2	4	5	29
Grand Total[3]	**90**	**2.7**	**3.0**	**5**	**0**	**29**	**31**	**2**	**4**	**5**	**29**

Notes:

(1) Mineral resources reported at a cut-off-grade of 1.7% HM.

(2) Mineral assemblage is reported as a percentage of in situ HM content.

(3) HVY has a 70% interest in the Inhambane heavy mineral sands project

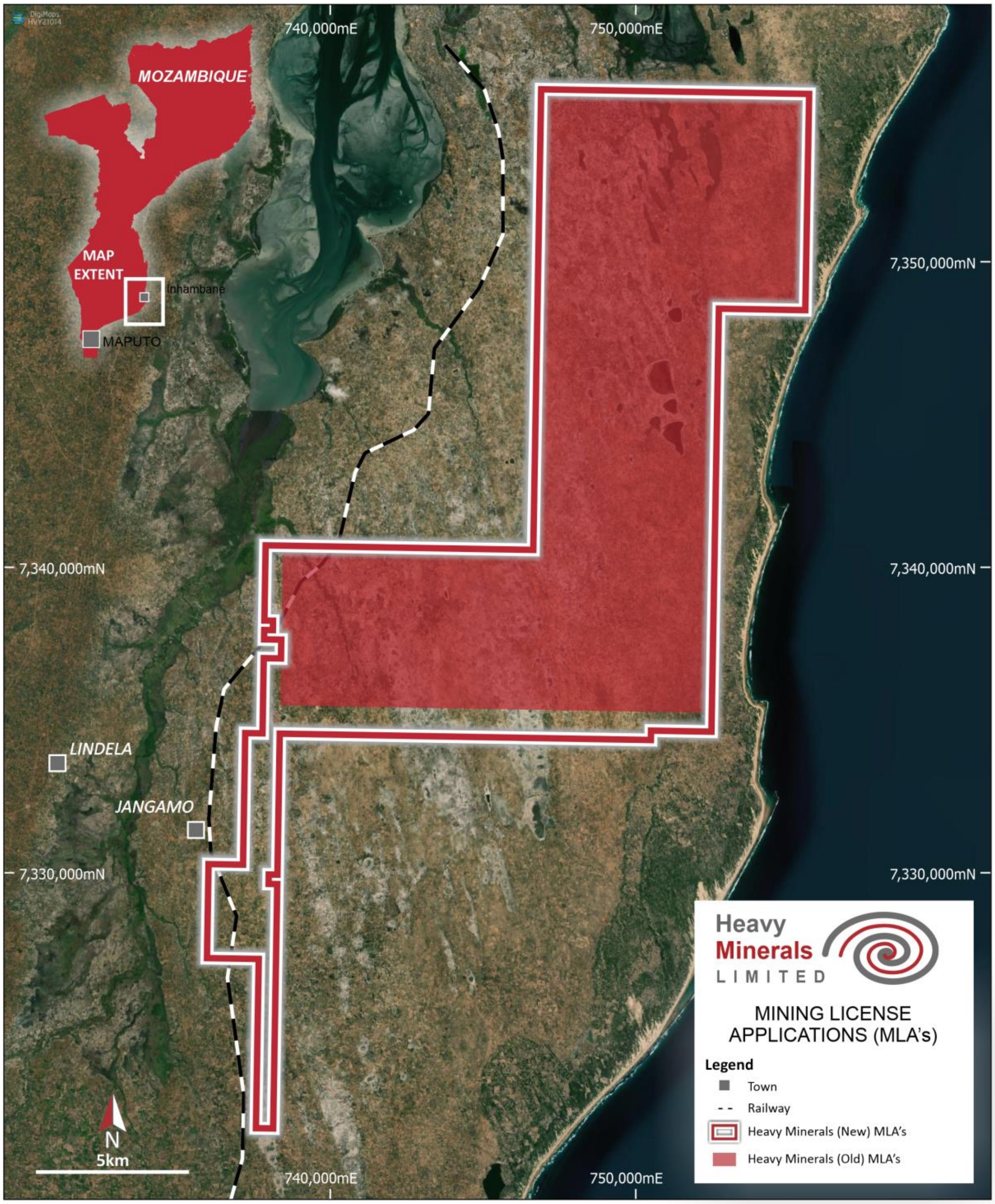

Figure 2: Updated MLA relative to previous MLA

Competent Persons Statements

The information in this announcement that relates to Exploration Targets is based on and fairly represents information and supporting documentation prepared by Mr. Greg Jones (FAusIMM) who is a Non-Executive Director of Heavy Minerals Limited. Mr. Jones is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being reported on to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Jones has reviewed this report and consents to the inclusion in the report of the matters in the form and context with which it appears.

The Mineral Resource estimates referred to in this announcement were first reported in accordance with ASX Listing Rule 5.7 in the Company's prospectus dated 27 July 2021 and released on the ASX market announcements platform on 10 September 2021. The JORC Mineral Resource report that supports this original Mineral Resource estimate is hosted on the company website at the following link:

https://www.heavyminerals.com/technical-reports/

The Company is releasing updated information that confirms an increase in the Mineral Resource estimate that was reported in the prospectus by way of changing the reporting THM cut-off grade and the expansion of tenure that increases the extent of the Mineral Resource to the south.

Environmental Regulation

The Company's projects are not subject to direct physical risk arising from climate factors. The Port Gregory Project is still at an early exploration stage. The Inhambane Project is located in Mozambique and hence is only accessible during a limited season. Global warming may make the site more inaccessible over time. The Projects are not subject to any direct physical risk from climate factors such as flooding or excessive drought. The Consolidated Entity is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The Directors are not aware of any environmental law that is not being complied with.

CORPORATE

Heavy Minerals Limited (HVY) was incorporated on 10 February 2021 and listed on the Australian Securities Exchange (ASX) on 14 September 2021. Mozmin Resources Pty Ltd is the accounting parent.

On 1 June 2021 HVY completed a 1 for 1 share swap for all of the shares of Mozmin Resources Pty Ltd.

HVY raised $5.5M by way of an initial public offering and listing on the ASX on 14 September 2021.

During the period, debt totalling $195,785 was converted into equity.

COVID-19 Impacts

COVID 19 did not impact operations in Western Australia during the financial year given the relatively limited number of "lock-downs" in the State and limited travel requirements intrastate.

In Mozambique the force majeur position with respect to the expenditure requirements of the Mozambique assets remained in place.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 June 2021 HVY completed a 1 for 1 share swap for all of the shares of Mozmin Resources Pty Ltd. Mozmin Resources is now a 100% owned subsidiary of HVY.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no likely developments of which the Directors are aware of which could be expected to significantly affect the results of the Company's operations in subsequent financial periods not otherwise disclosed in the 'Principal activities' and 'Review of operations' or the 'Significant events after the balance sheet date' sections of the Directors' report.

SHARE OPTIONS

As at the date of this report:

No. Options	Exercise Price	Expiry Date	Listed / Unlisted
3,782,226	$0.25	14 September 2023	Unlisted
5,000,000	$0.25	14 September 2024	Unlisted

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

No shares as a result of the exercise of the options were issued as at the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances have arisen since the end of the period which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 31 December 2021 has been received and is included within the financial statements.

AUDITOR

Criterion Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3) of the Corporation Act 2001.

Signed in accordance on behalf of the Directors.

____
Nic Matich
Executive Director & CEO

3 March 2022

CRITERION AUDIT

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 233 LEEDERVILLE WA 6902

Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Heavy Minerals Limited and its Controlled Entities for the half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 3rd day of March 2022

Heavy Minerals LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2021

	Note	Consolidated Entity 31 December 2021 $	Consolidated Entity 31 December 2020 $
Revenue	3	**1,840**	-
Accounting fees		**(30,015)**	(7,283)
Compliance fees		**(53,958)**	(2,156)
Consultancy fees		**(2,499)**	(79,856)
Depreciation		**(330)**	-
Directors' remuneration		**(185,333)**	(18,459)
Exploration expenditure expensed		**(3,850)**	(3,187)
Foreign exchange loss		**(29,109)**	-
Insurance expense		**(14,725)**	-
Interest expense		**-**	(41,540)
IT expenses		**(12,811)**	(1,366)
Legal fees		**(171,885)**	-
Marketing		**(46,381)**	-
Other expenses		**(18,694)**	1,388
Occupancy expenses		**(33,000)**	-
Travel expenses		**(6,698)**	-
Loss before tax		**(607,448)**	(152,459)
Income tax benefit/(expense)		**-**	-
Net loss for the period from operations		**(607,448)**	(152,459)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**14**	26,843
Total comprehensive loss for the period		**(607,434)**	(125,616)
Attributable to owners of the Consolidated Entity		**(607,434)**	(132,504)
Attributable to non-controlling interest		**-**	6,888
		(607,434)	(125,616)
Basic and diluted loss per share (cents)		**(1.52)c**	(0.23)c

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	**3,605,473**	34,872
Trade and other receivables	5	**132,605**	1,151
Other assets	6	**33,118**	186,593
Total Current Assets		**3,771,196**	222,616
Non-Current Assets			
Plant and equipment		**4,377**	1,912
Exploration and evaluation assets	7	**1,219,018**	90,350
Total Non-Current Assets		**1,223,395**	92,262
Total Assets		**4,994,591**	314,878
LIABILITIES			
Current Liabilities			
Trade and other payables	8	**194,047**	333,635
Borrowings	9	**-**	215,785
Provisions		**9,836**	4,469
Total Current Liabilities		**203,883**	553,889
Total Liabilities		**203,883**	553,889
Net Assets/(Liabilities)		**4,790,708**	(239,011)
EQUITY			
Contributed equity	10	**8,070,002**	2,707,849
Reserves	11	**1,252,530**	977,516
Accumulated losses		**(4,488,329)**	(3,880,881)
Attributable to owners of the Consolidated Entity		**4,834,203**	(195,516)
Attributable to non-controlling interest		**(43,495)**	(43,495)
Total Equity		**4,790,708**	(239,011)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021

Consolidated Entity	Contributed Equity $	Foreign Currency Translation Reserve $	Share Based Payments Reserve $	Accumulated Losses $	Attributable to Owners of the Consolidated Entity $	Attributable to Non-Controlling Interest $	Total $
Balance at 1 July 2021	**2,707,849**	**30,581**	**946,935**	**(3,880,881)**	**(195,516)**	**(43,495)**	**(239,011)**
Equity issues	6,232,323	-	-	-	6,232,323	-	6,232,323
Capital raising costs	(870,170)	-	-	-	(870,170)	-	(870,170)
Share based payments	-	-	275,000	-	275,000	-	275,000
Foreign exchange on translation of operations	-	14	-	-	14	-	14
Loss for the period	-	-	-	(607,448)	(607,448)	-	(607,448)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(607,448)	(607,434)	-	(607,434)
Balance at 31 December 2021	**8,070,002**	**30,595**	**1,221,935**	**(4,488,329)**	**4,834,203**	**(43,495)**	**4,790,708**
Balance at 1 July 2020	**919,270**	**2,815**	**-**	**(1,444,417)**	**(522,332)**	**(41,725)**	**(564,057)**
Foreign exchange on translation of operations	-	19,963	-	-	19,963	6,880	26,843
Loss for the period	-	-	-	(152,467)	(152,467)	8	(152,459)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	19,963	-	(152,467)	(132,504)	6,888	(125,616)
Balance at 31 December 2020	**919,270**	**22,778**	**-**	**(1,596,884)**	**(654,836)**	**(34,837)**	**(689,673)**

The accompanying notes form part of these financial statements.

	Note	Consolidated Entity 31 December 2021 $	Consolidated Entity 31 December 2020 $
Cash flows from operating activities			
Payments to suppliers and employees		**(947,246)**	(9,574)
Interest received		**901**	-
Interest paid		**-**	-
Payment for exploration and evaluation		**(624,440)**	(3,187)
Net cash used in operating activities		**(1,570,785)**	(12,761)
Cash flows from investing activities			
Payment for plant and equipment		**(2,796)**	-
Net cash used ininvesting activities		**(2,796)**	-
Cash flows from financing activities			
Proceeds from equity issues		**5,650,000**	-
Payment for costs of equity issues		**(485,818)**	-
Proceeds from borrowings		**-**	17,000
Repayment of borrowings		**(20,000)**	-
Net cash provided by from financing activities		**5,144,182**	17,000
Net increase in cash held		**3,570,601**	4,239
Cash and cash equivalents at beginning of the period		**34,872**	2,301
Foreign exchange effect on cash and cash equivalents		**-**	(276)
Cash and cash equivalents at period end	4	**3,605,473**	6,264

The accompanying notes form part of these financial statements.

1. *Corporate information*

This half year report covers Heavy Minerals Limited (the "Consolidated Entity"), a company incorporated in Australia for the 6 month period ended 31 December 2021. The presentation currency of the Company is Australian Dollars ("$"). A description of the Consolidated Entity's operations is included in the review and results of operations in the Directors' Report. The Directors' Report is not part of the financial statements. The Consolidated Entity is a for-profit entity and limited by shares incorporated in Australia whose shares are traded under the ASX code "HVY". The financial statements were authorised for issue on 3 March 2022 by the Directors of the Consolidated Entity. The Directors have the power to amend and reissue the financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2. *Accounting policies*

a. Statement of compliance

The general purpose financial statements of the Company have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, including AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board.

b. Basis of preparation

The general purpose financial statements of the Consolidated Entity have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial report has also been prepared on a historical cost base. It is recommended that the half year financial report be considered together with the 30 June 2021 annual report and any public announcements made by the Consolidated Entity up to the issue date of this report, which the Consolidated Entity has made in accordance with its continuous disclosure obligations arising under the *Corporations Act 2001.* The financial statements have been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities.

c. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Heavy Minerals Limited (Company or parent entity) as at 31 December 2021 and the results of all subsidiaries for the period then ended. Heavy Minerals Limited and its subsidiaries together are referred to in these financial statements as the Consolidated Entity. Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated.

2. *Accounting policies (continued)*

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent. Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance. Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

<u>d. Current and non-current classification</u>
Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

<u>e. Comparatives</u>
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

<u>f. Significant management judgement in applying accounting policies and estimate uncertainty</u>
When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below.

2. *Accounting policies (continued)*

i. Exploration and evaluation expenditure
Exploration and evaluation costs have been capitalised and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Key judgements are applied in considering the costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised.

ii. Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of the options issued are determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

g. Accounting Standards that are mandatorily effective for the current reporting period
The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020. The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies.

h. Standards and Interpretations in issue not yet adopted
At the date of authorisation of the financial statements, the Company has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Company's accounting policies, however further analysis will be performed when the relevant standards are effective.

	Consolidated Entity 31 December 2021 $	Consolidated Entity 31 December 2020 $
3. *Revenue*		
Interest revenue	**1,840**	-
	1,840	-

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
4. *Cash and cash equivalents*		
Cash at bank	**3,605,473**	34,872
	3,605,473	34,872
5. *Trade and other receivables (current)*		
Accrued interest revenue	**940**	-
Tax refunds	**131,605**	1,151
	132,605	1,151
6. *Other assets*		
Deferred costs (capital raising costs)	**-**	164,353
Prepaid expenses	**33,118**	22,239
	33,118	186,593
7. *Exploration and evaluation assets*		
Balance at beginning of period	**90,350**	54,712
Exploration and evaluation expenditure incurred during the period	**1,128,668**	35,638
Balance at end of period	**1,219,018**	90,350

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
8. *Trade and other payables*		
Accrued expenses	**45,970**	329,136
Trade creditors	**148,077**	4,499
	194,047	333,635
9. *Borrowings*		
Current		
Balance at beginning of period	**215,785**	512,785
Proceeds from borrowings	**-**	287,000
Capitalised interest	**-**	17,144
Conversion to equity[1]	**(195,785)**	(601,144)
Repayment of borrowings	**(20,000)**	-
	-	215,785

[1] During the prior year, the convertible loans and associated interest were converted to equity. During the current year, upon ASX admission, borrowings of $195,785 were repaid via an equity conversion.

10. *Contributed equity*

	Consolidated Entity 31 December 2021 No.	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 No.	Consolidated Entity 30 June 2021 $
Balance at beginning of period	**19,396,641**	**2,707,849**	65,000,000	919,270
Share issue: 10-Feb-21	**-**	**-**	100	1
Share issue upon loan conversions: 26-Apr-21	**-**	**-**	14,401,829	304,654
Share consolidation: 01-Jun-21[2]	**-**	**-**	(62,605,288)	-
Share issue & loan conversions: 01-Jun-21	**-**	**-**	2,600,000	260,000
Deemed consideration of acquisition	**-**	**-**	-	1,223,924
Seed share issue: 23-Jul-21	**1,500,000**	**150,000**	-	-
Share issue upon loan conversions: 06-Sep-21	**978,925**	**195,785**	-	-
Vendor share issue: 06-Sep-21	**1,932,692**	**386,538**	-	-
IPO share issue: 06-Sep-21	**27,500,000**	**5,500,000**	-	-
Capital raising costs	**-**	**(870,170)**	-	-
Balance at end of period	**51,308,258**	**8,070,002**	19,396,641	2,707,849

11. *Reserves*

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
<u>Foreign currency translation reserve</u>		
Balance at beginning of period	**30,581**	2,815
Foreign exchange on translation of operations	**14**	27,766
Balance at end of period	**30,595**	30,581

[2] Refer to Note 12.

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
11. *Reserves (continued)*		
Share based payments reserve		
Balance at beginning of period	**946,935**	-
Options granted[5]	**275,000**	433,853
Performance rights granted[3]	**-**	513,082
Balance at end of period	**1,221,935**	946,935

[5]Variables used to calculate the option valuations are are as follows:

Inputs	Director and Consultant Options	Shareholder Options	Vendor Options	Broker Options
Number of options	5,000,000	3,782,226	1,000,000	4,000,000
Exercise price	$0.25	$0.25	$0.25	$0.25
Expiry date	14-Sep-24	14-Sep-23	14-Sep-24	14-Sep-24
Grant date	07-May-21	01-Jun-21	06-Sep-21	06-Sep-21
Share price at grant date	$0.20	$0.20	$0.20	$0.20
Risk free interest rate	0.11%	0.09%	0.11%	0.11%
Volatility	50%	50%	50%	50%
Option value	$0.055	$0.042	$0.055	$0.055

	Consolidated Entity 31 December 2021 No.	Consolidated Entity 30 June 2021 No.
Unlisted options		
Balance at beginning of period	**8,782,226**	-
Options granted[5]	**5,000,000**	27,418,726
Option consolidation[4]	**-**	(18,636,500)
Balance at end of period	**13,782,226**	8,782,226

[3] On 7 May 2021 Mozmin Resources Pty Ltd granted 4,250,000 Director Performance Rights expiring 14 September 2026 to Directors and 880,815 Consultant Performance Rights expiring 14 September 2026 to a consultant. The performance rights expense of $513,082 along with $275,000 of the $433,853 results in the share based payment expense of $788,082.

[4] On 1 June 2021 the acquisition of Mozmin Resources Pty Ltd by Heavy Minerals Limited and the roll-up (effective consolidation) of securities into Heavy Minerals Limited occurred.

12. *Reverse acquisition*

Heavy Minerals Limited (the Company) acquired Mozmin Resources Pty Ltd on 1 June 2021. From a legal and taxation perspective, the Company is considered the acquiring entity. However the acquisition has the features of a reverse acquisition as described in the Australia Accounting Standard AASB 3 Business Combinations (AASB 3) because the acquisition resulted in Mozmin Resources Pty Ltd shareholders holding a controlling interest in the Company after the transaction, notwithstanding the Company being the legal parent of the Consolidated Entity. It is therefore considered that the Company does not meet the definition of a business for the purposes of AASB 3 as it did not have any processes or outputs. The transaction has therefore been accounted for as a reverse acquisition from a consolidated perspective, where Mozmin Resources Pty Ltd is the accounting acquirer and the Company is the legal acquirer. The annual report includes the consolidated financial statements of Mozmin Resources Pty Ltd for the year and the Company for the period 10 February 2021 to 30 June 2021. The annual report represents a continuation of Mozmin Resources Pty Ltd's financial statements with the exception of the capital structure. The amount recognised as equity instruments in these consolidated financial statements represents the issued equity of the Company adjusted to relect the equity issued by the Company on acquisition. Under the reverse acquisition principles, the consideration provided by Mozmin Resources Pty Ltd was determined to be $1,223,924 which is the deemed fair value of the 79,401,829 shares owned by the former Mozmin Resources Pty Ltd shareholders at completion of the acquisition.

The excess of the deemed fair value of the shares owned by the Company shareholders and the fair value of the identifiable net assets of the Company immediately prior to the completion of the merger has resulted in the recognition of $1,223,924 being recorded in the profit and loss at 30 June 2021. The net assets of the Company were recorded at fair value at acquisition date. As the carrying value of all assets and liabilities held by the Company at acquisition date approximated their fair value, no adjustments were required.

The fair value of the assets and liabilities of the Company (being the accounting acquire) as at the date of the acquisition and the deemed consideration is an equity amount of $1.

	At 1 February 2021 $
<u>Accumulated losses adjustment for acquisition</u>	
Fair value of the shares deemed to have been issued by Mozmin Resources Pty Ltd	**1,223,924**
Less: fair value of identifiable net assets acquired	**(1)**
	1,223,923

13. *Operating segments*

The Consolidated Entity has determined operating segments based on the information provided to the Board of Directors. The Consolidated Entity operates predominantly in one business segment being the exploration for minerals with entities based in three geographic segments, being Australia, Mauritius and Mozambique.

	Australia Exploration & Corporate	Mauritius Exploration & Corporate	Mozambique Exploration & Corporate	Total
31 December 2021				
Segment revenue	1,840	-	-	**1,840**
Segment loss	(595,004)	(12,417)	(13)	**(607,434)**
Segment assets	4,917,604	5,464	71,523	**4,994,591**
Segment liabilities	(202,114)	(1,769)		**(203,883)**
30 June 2021				
Segment assets	220,910	93,529	439	**314,878**
Segment liabilities	(553,020)	(869)	-	**(553,889)**
31 December 2020				
Segment revenue	-	-	-	**-**
Segment loss	(113,021)	(12,624)	29	**(125,616)**

14. *Events after the end of the reporting period*

There are no matters or circumstances have arisen since the end of the period which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity in future financial periods.

	Consolidated Entity 31 December 2021 $	Consolidated Entity 30 June 2021 $
15. *Commitments and contingencies*		
a. Commitments relating to operating and exploration expenditures		
Not longer than 1 year	**1,480,477**	1,424,787
More than 1 year but not longer than 5 years	**750,952**	596,727
More than 5 years	**-**	-
	2,231,429	2,021,514

There are no other material commitments as at 31 December 2021.

15. *Commitments and contingencies (continued)*

b. Contingent assets

There are no contingent assets as at 31 December 2021.

c. Contingent liabilities

Contingent liabilities as at 31 December 2021 consist of the following contingent liability in Mozambique:

Transfers of interest that have occurred under the +258 Agreement (being Mozmin Mauritius' acquisition of 70% of the equity in +258 Limitada set out in Section 7.1(b)) and the Share Swap (being the Company's acquisition of 100% of the share capital of MRPL) have not received Government Approval. The Company has retrospectively commenced the process to obtain these approvals and is not aware of any reason why these approvals would not be granted, however, until such time as the approvals are received, the Company has allocated minimal funds to the Inhambane Project. There is no guarantee that the Government Approvals will be received and further, there is a likelihood that the approvals will require the payment of stamp duty. The Company understands that stamp duty rates vary between 0.1% to 10% of the face value of relevant documents. As at the date of the Prospectus, the Company anticipates that the stamp duty will be approximately USD 750.

The Directors of the Consolidated Entity declare that:

The financial statements and notes are in accordance with the *Corporations Act 2001* and:

- comply with Australian Accounting Standards;
- give a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of the performance for the period ended 31 December 2021;

In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

____

Nic Matich
Executive Director & CEO

3 March 2022

CRITERION AUDIT

Criterion Audit Pty Ltd

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LEEDERVILLE WA 6007

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Independent Auditor's Review Report

To the Members of Heavy Minerals Limited

Conclusion

We have reviewed the half-year financial report of Heavy Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Heavy Minerals Limited does not comply with the *Corporations Act 2001* including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the ethical requirements of the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards*) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Half-Year Financial Report

The Directors are responsible for the preparation of the half-year financial report that gives us a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Criterion Audit

CRITERION AUDIT PTY LTD

CHRIS WATTS CA
Director

DATED at PERTH this 3rd day of March 2022